

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4454-01
Bill No.: SB 478
Subject: General Assembly; Health Care; Insurance - Life; Public Officers; Retirement - State
Type: Original
Date: January 17, 2012

Bill Summary: Eliminates certain employee benefits for members of the general assembly and statewide elected officials who first take office on or after January 1, 2013.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$224,078	\$366,644	\$442,909
Total Estimated Net Effect on General Revenue Fund	\$224,078	\$366,644	\$442,909

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Other State Funds	\$224,078	\$366,644	\$442,909
Total Estimated Net Effect on <u>Other</u> State Funds	\$224,078	\$366,644	\$442,909

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Retirement** indicates that this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has not been filed with the Joint Committee on Public Employee Retirement. It would be impossible to accurately determine the fiscal impact of this proposed legislation without the actuarial cost statement prepared in accordance with Section 105.665, RSMo.

Officials from the **Office of Administration** defer their response to the Missouri Consolidated Health Care Plan and Missouri State Employees’ Retirement Plan.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposal applies to newly elected general assembly members and elected officials. MCHCP makes the following assumptions when calculating fiscal impact:

1. The general assembly will have approximately 25 new representatives and 10 new senators effective January 1, 2013 due to term limits.
2. The state will have at least one new statewide elected official.
3. All newly elected general assembly members and statewide elected officials will not have previously been members of the general assembly or a statewide elected official.
4. All newly elected general assembly members and statewide elected officials will select employee only health insurance coverage through MCHCP.
5. All incumbent general assembly members and elected officials will remain in their current rates.

MCHCP estimates 2012 claim costs per employee are \$8,209.07. Using the assumptions above, total expected claim costs are \$295,527. MCHCP pays for approximately 82 percent of those costs. MCHCP projects a savings of \$242,332 for FY 2012.

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ASSUMPTION (continued)

This proposal will produce additional savings in future years, but the savings will vary depending on term limits and election outcomes.

Officials at the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's Office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal not to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's Office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a give year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **State Treasurer's Office** assume no fiscal impact to their agency.

Officials from **Missouri State Employees' Retirement System (MOSERS)** assume the proposed legislation described in Fiscal Note. No. 4454S-01 (SB 478) would, if enacted, eliminate retirement benefits for members of the General Assembly and statewide elected officials who first take office on or after January 1, 2013. As proposed, a retired state employee who retired under the MSEP 2000 and holds one of these elected offices for the first time on or after January 1, 2013, would also be prohibited from receiving retirement benefits from the Missouri State Employees' Retirement System (MOSERS) and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) during his or her term of office. Lastly, this proposal would eliminate basic life, disability and health insurance coverage for these members of the general assembly and elected officials and their dependents.

MOSERS presently provides these groups with retirement, basic life and disability coverage. The Missouri Consolidated Health Care Plan (MCHCP) presently provides health care coverage.

Fiscal Impact

The proposed removal of benefits for new hires has no effect on MOSERS' current benefit obligation or current employer contributions for the active members presently covered under the MSEP; however, the long-term effect of the proposed changes is a decrease in the employer normal cost of approximately 0.05% of MOSERS' total payroll (occurring approximately ten years after implementation).

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ASSUMPTION (continued)

Impact on MOSERS Employer Contributions

Description	Present Benefits	Proposed Benefits	Increase/(Decrease)
Total Normal Cost	8.34 %	8.34%	0.00%
Member Contribution Rate	(0.54)	(0.54)	0.00
UAAL (30 yr. amortization)	6.65	6.65	0.00
Change in UAAL (20 yr. amortization)	-	0.00	0.00
Total Employer Contribution Rate	14.45%	14.45%	0.00
UAAL \$ Millions (6/30/2011)	\$2,101.1	\$2,101.1	\$ -
Percent Funded	79.2%	79.2%	0.00

Projected Change in Annual Employer Contributions

Projected Employer Contributions								
Fiscal Year	Val Payroll Projected	Pre 2013 Payroll*	Post 2013 Payroll (new hires)	Before Proposed Changes Rate	Dollars	Estimated Reduction Due to Proposed Changes	After Proposed Change Dollars	Rate
2011	\$1,875,569,816	\$ 1,875,569,816	\$ 0					
2012	1,875,569,816	1,675,728,186	199,841,630					
2013	1,950,592,608	1,569,037,017	381,555,592	14.45%	\$ 281,860,632	\$ 204,836	\$ 281,655,796	14.44%
2014	2,028,616,313	1,474,436,234	554,180,079	15.07%	305,712,478	489,968	305,222,510	15.05%
2015	2,109,760,965	1,386,851,416	722,909,549	15.40%	324,903,189	642,498	324,260,691	15.37%
2016	2,194,151,404	1,305,391,098	888,760,306	14.38%	315,518,972	778,796	314,740,176	14.34%
2017	2,281,917,460	1,227,636,479	1,054,280,981	13.52%	308,515,241	896,214	307,619,027	13.48%
2018	2,373,194,158	1,153,087,321	1,220,106,838	13.10%	310,888,435	1,003,837	309,884,598	13.06%
2019	2,468,121,925	1,080,743,912	1,387,378,012	12.69%	313,204,672	1,099,974	312,104,698	12.65%
2020	2,566,846,802	1,011,010,844	1,555,835,958	12.30%	315,722,157	1,190,551	314,531,606	12.25%
2021	2,669,520,674	942,322,131	1,727,198,543	11.95%	319,007,720	1,274,504	317,733,216	11.90%
2022	2,776,301,501	875,852,963	1,900,448,538	11.60%	322,050,974	1,355,712	320,695,262	11.55%

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Savings</u> - Net decrease in annual contributions	\$102,418	\$244,984	\$321,249
<u>Savings</u> - Net decrease in medical benefit coverage	<u>\$121,660</u>	<u>\$121,660</u>	<u>\$121,660</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$224,078</u>	<u>\$366,644</u>	<u>\$442,909</u>
OTHER STATE FUNDS			
<u>Savings</u> - Net decrease in annual contributions	\$102,418	\$244,984	\$321,249
<u>Savings</u> - Net decrease in medical benefit coverage	<u>\$121,660</u>	<u>\$121,660</u>	<u>\$121,660</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$224,078</u>	<u>\$366,644</u>	<u>\$442,909</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2013 (10 Mo.)	 FY 2014	 FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

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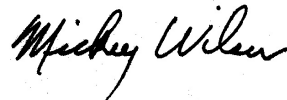
FISCAL DESCRIPTION

The proposed legislation eliminates certain employee benefits for members of the general assembly and statewide elected officials who first take office after January 1, 2013.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Missouri Consolidated Health Care Plan
Governor's Office
State Treasurer's Office
Secretary of State's Office
Office of Administration
Missouri State Employees' Retirement Plan

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
January 17, 2012